BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

---------In the Matter of--------	)	DOCKET NO. 2008-0274
	)	
PUBLIC UTILITIES COMMISSION	)	
	)	
Instituting a Proceeding to Investigate Implementing a Decoupling Mechanism for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited.	)	
	)	

THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM'S RESPONSES TO THE QUESTIONS SET FORTH IN APPENDIX 2 TO THE NATIONAL REGULATORY RESEARCH INSTITUTE'S (NRRI) SCOPING PAPER ENTITLED "DECOUPLING UTILITY PROFITS FROM SALES: DESIGN ISSUES AND OPTIONS FOR THE HAWAII PUBLIC UTILITIES COMMISSION

AND

CERTIFICATE OF SERVICE

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THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM'S RESPONSES TO THE QUESTIONS IN APPENDIX 2 TO THE NATIONAL REGULATORY RESEARCH INSTITUTE'S SCOPING PAPER ENTITLED "DECOUPLING" UTILITY PROFITS FROM SALES: DESIGN ISSUES AND OPTIONS FOR THE HAWAII PUBLIC UTILITIES COMMISSION

The Department of Business, Economic Development, and Tourism ("Department" or "DBEDT"), by and through its Director ("Director") in his capacity as the Energy Resources Coordinator, and through the undersigned Deputy Attorney General, hereby submits to the Hawaii Public Utilities Commission ("Commission") its responses to the issues identified in Appendix 2 to the National Regulatory Research Institute's (NRRI)scoping paper titled "Decoupling Utility Profits From Sales: Design Issues and Options For the Hawaii Public Utilities Commission."

DBEDT's Responses to Questions in Appendix 2:

1. Why do electric utilities need decoupling at this time? Please address decoupling needs created by the utility's rate design and Hawaii's emphasis on electricity strategies that would reduce utility sales. If possible, quantify the need.

   1.1. Does the administration of the energy efficiency programs by a third-party administrator affect the need for and potential benefits of decoupling?

   1.2. Is the need for decoupling the same on each island? Please consider the frequency in curtailments of as-available renewable generation.

DBEDT Response:

1. The decoupling mechanism is a utility ratemaking regulatory tool that eliminates or reduces the inherent disincentives of traditional ratemaking to promote energy efficiency. Since utility revenues (and therefore, profits) are linked to utility sales, the traditional ratemaking framework inherently provides financial incentives for the utility to increase rather than decrease its kilowatt-hour sales. The decoupling mechanism de-links or disassociates the utility's revenues (and profit) from the utility's sales, making the utility indifferent to changes in its sales volume resulting from greater energy efficiency and other demand-side programs that reduce the utility's sales volume.

   The HECO companies' rate design exacerbates the disincentives to promotion of greater energy efficiency and

increased use of renewable energy resources and technologies. HECO's rates for all its rate classes are not aligned to the utility's cost-to-serve, as a large proportion of its fixed costs are embedded in the energy charges. Fixed costs generally include the demand-related and customer-related costs. The HECO cost-of-service study methodology used as the basis for its rate design classifies costs into (1) energy-related costs, which are costs that vary with kilowatt-hour sales, and include fuel and purchased energy costs; (2) demand-related costs, which include costs that vary with kilowatt demand such as the plant costs, and operation and maintenance costs including both labor and non-labor expenses; and (3) customer-related costs, which vary with the number of customers such as metering and related-costs, billing costs, and other customer service expenses.

Since energy charges are rates based on kilowatt-hour (kWh) sales, recovery of the fixed costs embedded in the energy charges is highly linked to the kWh sales volume which provides very strong disincentives to the utility to promote energy efficiency and other customer programs that result in lower kWh sales. This is why having the utilities implement the demand-side management programs (DSM) or energy efficiency programs since 1996 when they were first mandated by the Public Utilities Commission (PUC), is in conflict with

financial incentives to increase sales, as these programs have the effect of reducing sales and decreasing profits.

The utility's resistance and disincentive to promote energy efficiency and increase use of renewable energy resources and technology perpetuates Hawaii's dependence on imported fossil fuel and continues to imperil Hawaii's energy security and independence. The State's energy goal of reducing Hawaii's dependence on imported fossil fuels has led to several major energy policy and statutory mandates relating to electricity such as the establishment of the Renewable Portfolio Standards (RPS), the Net Energy Metering law (NEM), and the requirement for a Public Benefits Fund (PBF) Administrator to manage and implement the ratepayer funded demand-side management(DSM) or energy efficiency programs.

One method of quantifying the need for a decoupling mechanism is actually provided in the utility's annual RPS reports to the Commission. The utility's RPS report for the period ending December 31, 2007 filed with the Commission on June 27, 2008, reports that only 9% of the kWh sold was generated from renewable energy sources. More importantly, energy savings from energy efficiency programs reduced kWh generation by only 7% despite the fact that the utility has been implementing the DSM or energy efficiency programs for the last 13 years, since 1996.

Another important measure of this need is the amount of utility's fuel expense. In 2007, the utility's total consolidated fuel expense of $709,292,284 accounted for 43% of the utility's consolidated operation and maintenance expense.

1.1 The question of whether or not there is a basis to adjust the utility's revenue requirements from the effects of energy efficiency programs administered by a third-party administrator such as the Public Benefit Fund administrator (PBF) as mandated in Section 269-122, Hawaii Revised Statutes (HRS), is an important consideration in the design of a decoupling mechanism for the HECO companies.

DBEDT believes that decoupling will either promote energy efficiency programs under a non-utility market structure or not (i.e., administered by a PBF administrator) depending on the role of the utility, if any, in the implementation of the programs. If the third-party administrator contracts with the utilities to implement some or all of the energy efficiency programs, then the need for and benefits of decoupling are enhanced, and the end result of having a third-party administrator may simply increase the costs of the

programs and potentially result in higher rates to the ratepayers.

If the third party administrator contracts with non-utility entities to implement the energy efficiency programs, the need for and benefits of decoupling may be reduced or eliminated with regards to promoting greater energy efficiency.

1.2 The need for decoupling on each island, specifically the island of Hawaii (Big Island) and the County of Maui which are served by the HECO companies, may be dependent on the extent of energy efficiency programs and the amount of renewable energy resources required on each island to achieve the statutory RPS mandates as well as achieving the HECO companies' commitments under the Energy Agreement between the State and the HECO companies.

2. Please propose a preferred decoupling methodology and in doing so, please answer these questions.

2.1. Should the decoupling process decouple the utility's earnings (or revenues) from the effects of changes in weather, economic upturns/downturns, taxes, costs of financing, the utility's credit ratings or other external variables? How are sales impacts of efficiency programs segregated from these factors, and how does the commission monitor these factors going forward?

2.2. Does decoupling that ensures a utility's earnings with lost sales create a disincentive for utilities to manage these costs effectively or to invest in capital projects rather than purchase energy or other services?

2.3. Does it eliminate the utility's bias against reduced sales?

2.4. Does it accurately decouple sales and earnings (i.e., reinstate authorized earnings associated with lost sales)? Please provide supporting examples and calculations that address how lost earnings are calculated.

2.5. Does it encourage customers to be energy efficient?

2.6. Is it easy to understand?

2.7. Are Hawaii's electric utilities' existing metering and customer service systems adequate to support decoupling? If no, recommend enhancements.

2.8. Is it easy to administer (monitoring, audits, hearings, reconciliation)? Estimate the administrative costs including regulatory costs.

2.9. If the proposed method herein is different from the method proposed by the Agreement, why is it superior?

DBEDT Response:

2. The Commission instituted the instant docket to address the issues related to the implementation of a decoupling mechanism as agreed to by the parties in the Energy Agreement. The intent of the Energy Agreement was to remove the barriers for the utility to aggressively pursue and promote demand-side programs (such as demand-response programs and energy efficiency programs), customer-owned and third-party-owned renewable energy systems and

technologies, as well as to increase the use of renewable energy resources in the utility generation portfolio to help achieve the HCEI goal of transforming Hawaii to a 70% renewable energy-based economy by 2030.

DBEDT's preferred decoupling mechanism is therefore one that is designed to achieve the HCEI goal while preserving the utility's financial integrity. This means decoupling the utility's revenues (and earnings) from the effects of utility activities and programs that are related to promoting and achieving the HCEI goals. It is neither DBEDT's intent nor the purpose of HCEI to implement a decoupling mechanism that insulates the utility from all the market risks and provide a guarantee for recovering 100% of its allowed return, while at the same time shifting all the risks to the ratepayers, such as the effects of the current economic downturn. It is also not DBEDT's intent nor the purpose of the HCEI to implement a decoupling mechanism that simply provides an automatic annual rate increase to the utility.

DBEDT would like to note that in addition to decoupling, the Energy Agreement provides other utility incentive mechanisms that are subject to the Commission's approval, such as the timely recovery of utility expenditures related to renewable energy resources through the Clean Energy

Infrastructure Surcharge (CEIS), continued automatic recovery of fuel costs via the ECAC, automatic recovery of the capital component of purchased power cost, and the commitment in principle by the parties to support ratebasing of 10% of the purchased power through feed-in tariffs. The parties to the Agreement are mindful of the potential impact of all these non-traditional regulatory mechanisms on the ratepayers, such that they can only be justified by the achievement of the significant commitments made by the HECO companies under the Agreement. The State believes that achieving the HECO commitments in the Agreement will significantly help in achieving the HCEI goal of energy security and independence with its attendant economic and environment benefits to Hawaii's ratepayers in the long-run.

Recognizing the difficulty of identifying and segregating the impact of utility activities and programs that are related to achieving the HCEI goals from the effects of the other factors, such as the economy or weather, on the utility's revenues and earnings, DBEDT suggests that for discussion purposes the preferred decoupling mechanism design should include but not be limited to the following considerations:

1) If the decoupling mechanism is to be based on a rate adjustment mechanism based on indexing the utility costs (or revenue requirements) to determine target revenue requirements as agreed to in principle by the parties to the Energy Agreement, the operation and maintenance costs that will be adjusted based on some cost indices as determined by the Commission should exclude (a) fuel and purchased power costs that are recovered from automatic rate adjustment clauses; (b) depreciation and amortization expenses; (c) interest on customer deposits; (d) uncollectibles; (e) pensions and other post-retirement benefits expense; (f) utility expenses and capital expenditures that are recovered through separate surcharges; and (g) some miscellaneous A&G expenses such as community service activities and company membership dues, and other similar expenses that the PUC and/or the CA may deem inappropriate or unreasonable to include.

The rate base adjustment used in determining the target revenue requirements may only include a portion of the utility's plant-related expenditures that are related to the utility's commitments under the Energy Agreement and that are not recovered through separate surcharges, and the plants are not yet in-service. Consideration

should be given to a cap on the amount of plant additions included in the annual rate base adjustment.

2) The cost indices should be those that are reasonable and applicable to Hawaii.

3) Consideration should be given to the elements in the Consumer Advocate's (CA) RAM Conceptual Framework Proposal that afford ratepayers protection such as the suggested earnings sharing mechanism.

4) Other provisions that safeguard the ratepayers' interest, such as a limit on the lost earnings that may be recovered through the decoupling rate adjustment mechanism, should also be considered.

5) Investigation should be made regarding placing a cap or limit on the decoupling percent rate adjustment implemented each year.

6) The calculation of any decoupling rate adjustment mechanism must be transparent and easy to understand.

7) The decoupling mechanism must include detailed and transparent reporting by the utility on a periodic basis, and preserve the PUC's authority to evaluate its effectiveness and impact, as well as the Commission's authority to terminate the mechanism at any time.

8) Annual utility performance measurement reporting should be contemplated.

2.1. Please see DBEDT's response to Question 2 above.

2.2. Yes. DBEDT believes that ensuring a utility's earnings associated with lost sales could create a disincentive for utilities to manage costs. This is why the decoupling mechanism design should provide the utility the opportunity to earn fair rates of return rather than a guarantee.

2.3. Yes.

2.4. Yes. DBEDT does not have the data to provide calculation of lost earnings based on the suggested preferred decoupling design concepts at this time.

2.5. Decoupling will potentially result in higher rates, that could result in energy conservation or decreases in energy consumption.

2.6. Ease of understanding must be an element of any decoupling mechanism adopted and implemented in Hawaii. DBEDT's design concept is easy to understand and implement.

2.7. Yes.

2.8. The requirement for a periodic detailed and transparent reporting by the utilities should help in administration and regulatory oversight.

2.9. DBEDT's design concept is consistent with the method agreed to in principle by the parties to the Agreement.

3. What actions, if any, are required to identify with accuracy each utility's fixed and variable costs?

3.1. What fixed charges are recovered through the utility's volumetric rates by rate component?

3.2. Is the information needed to allocate costs into fixed and variable costs included in a current rate filing? If yes, please provide.

3.3. How should the Commission differentiate between fixed and variable costs?

3.3.1. What timeframe should the Commission consider in setting fixed and variable costs?

3.3.2. Are some "fixed costs" simply long-run variable costs that appear fixed in the short term and how should this affect decoupling?

3.4. To what extent, if any, should the Energy Cost Adjustment Clause (ECAC) be modified if decoupling is enacted? Are any fixed costs recovered via the ECAC, and if so, should they be removed? To what extent should performance incentives inherent in the clause be modified or removed in order to remove the connection between utility sales and earnings? Should these incentives instead be recovered through the other charges?

DBEDT Response:

3. To assist the Commission in making an accurate determination of the utility's fixed and variable costs, DBEDT recommends requiring the utility to develop a detailed cost-of-service study that provides all the assumptions and data used in the study.

3.1 DBEDT does not have the necessary data to determine what fixed costs are currently recovered through the utility's volumetric rates by rate class.

3.2 DBEDT is not a party in the utility's current rate filing, and does not have the information on the utility's current rate filing to respond to this question.

3.3 Since the HECO companies' cost-of-service study methodology has been approved and adopted by the Commission as the basis of the utility's rate design in all rate filings, the Commission may use and adopt the determination of fixed and variable costs in the companies' cost study methodology as a starting point. Variable costs as defined in the utility's cost-of-service study methodology include those costs that vary with kilowatt-hour sales, and primarily include fuel and purchased energy costs. Fixed costs are costs that do not vary with kilowatt-hour sales and generally include the demand-related costs and the customer-related costs which are incurred by the utility regardless of the kilowatt-hour sales volume.

3.3.1 DBEDT recommends that the Commission examine 5-10 years of the utility's actual (recorded) detailed costs (i.e., components of the company's variable costs and fixed costs), in determining the reasonable timeframe to consider in setting the fixed and variable costs.

3.3.2 Whether or not some "fixed costs" are simply long-run variable costs that appear fixed in the short run will depend on how the Commission defines "fixed costs." It should be noted that all of the utility's costs of providing service, including the "fixed costs," change over time.

3.4 DBEDT suggests that the performance incentives currently built in to the Energy Cost Adjustment Clause (ECAC) calculation be modified or eliminated if decoupling is enacted. DBEDT does not believe that there are any fixed costs currently recovered via the ECAC.

4. What level of specificity is required on a customer's bill to support a decoupling adjustment (e.g., if allocated by rate component, should there be a line item for each part of the decoupling adjustment on the bill)?

DBEDT Response:

4. DBEDT believes that customer information relating to the concept of decoupling is important and suggests that the utility be required to provide such information in a bill insert as well as posted on the utility's website, in easy-to-read layman's terms, when decoupling is adopted. DBEDT recommends that the information on the bill form should be kept simple, possibly only a separate line item on the bill form.

5. Do all customers share in the benefits of improved energy efficiency, or only those customers who improve their own energy efficiency?

   5.1. What does the allocation of benefits indicate about the allocation of decoupling's earnings adjustments?

   5.2. How should the Commission consider each utility's capacity and energy availability in determining the allocation of the decoupling adjustment?

   5.3. Please propose and discuss an allocation methodology for the decoupling methodology proposed at question 2, above. Include responses to the following questions.

      5.3.1 How much of the anticipated change in sales is driven by utility-sponsored programs? Are the programs available to all classes of customers? How are these costs allocated?

      5.3.2 Can the utilities' net metering protocols allow behind-the-meter renewable energy to be tracked as a distinct cause of lost sales?

      5.3.3 Does customer growth or attrition mask or exaggerate actual energy efficiency trends?

5.3.4 Aside from utility-sponsored programs, do all classes of customers have the same cost-effective opportunities for energy efficiency improvements?

5.3.5 Can and should the decoupling charge be allocated to promote specific energy efficiency goals such as cutting peak demand or reducing carbon emissions?

5.3.6 Does energy efficiency offer greater benefits to the economy in one sector than in another?

5.3.7 The utilities contend that some rate classes produce higher rates of return than others do. To the extent that these differences exist, how should they be addressed under the proposed decoupling process?

DBEDT Response:

5. Improved energy efficiency will help reduce Hawaii's dependence on imported fossil fuel which will benefit all consumers in many ways. The economic benefits of fewer dollars leaving the economy, such as economic growth and diversification resulting in increased job creation, and environmental benefits such as reduction in greenhouse gas emissions and global, will benefit all consumers.

5.1. DBEDT does not have an opinion on this issue at this time.

5.2. DBEDT does not have an opinion on this issue at this time.

5.3. DBEDT does not at this time have a proposed allocation methodology for the design concept suggested in Question 2 above.

5.3.1. DBEDT does not have information on the estimated changes in sales resulting from utility-sponsored programs.

5.3.2. Yes. Lost sales from net energy metered customers can be tracked.

5.3.3. Yes.

5.3.4. DBEDT does not have information on the cost-effective opportunities for energy efficiency improvements.

5.3.5. DBEDT does not recommend that the initial decoupling rate adjustment be allocated to promote specific energy efficiency goals.

5.3.6. DBEDT does not have an opinion or data on this matter at this time.

5.3.7. DBEDT does not believe that it is reasonable to use the decoupling mechanism to address the class rates of return differentials that are reflected in the base rates approved by the Commission. These class rates of return differentials are better addressed in the allocation of the rate increase in the utility's cost-of-service study used in setting the base rates and the rate design approved by the Commission.

6. Should the Commission allow the full recovery of lost earnings through the decoupling adjustment or only some percentage of the calculated lost earnings? How much of the risk associated with a change in sales should remain with the utility?

   6.1. If there is a deviation from 100% recovery, should the deviation be symmetric? For example if sales decrease, does the utility receive 75% of the calculated lost earnings but when sales increase, customers get 100% of the adjustment?

   6.2. How does a partial adjustment help meet the goals of the Clean Energy Initiative?

DBEDT Response:

6. Under the present utility regulatory framework, the utilities are allowed but not guaranteed to earn a fair rate of return. This regulatory principle should also apply with the adoption and implementation of any decoupling mechanism. DBEDT does not believe that the Commission should allow full recovery of lost earnings through the decoupling adjustment. Rather, the decoupling mechanism adopted by the Commission should not diminish the utility's ability to earn the allowed rate of return, and should give the utility the opportunity to achieve fair rates of return. Allowing full recovery of lost earnings through the decoupling mechanism is tantamount to a guaranteed return, insulating the utilities from any market risks and shifting all the risks to the ratepayers, including those risks unrelated to HCEI such as the current economic downturn.

More importantly, DBEDT is uncertain as to how to accurately determine the utility's lost earnings related to its HCEI commitments or activities.

The parties' commitment in the Energy Agreement to implement a decoupling mechanism was made in order to remove the barriers for the utilities to pursue aggressive demand-response and load management programs, and customer-owned or third-party-owned renewable energy systems, and give the utilities an opportunity to achieve fair rates of return. It was not meant to guarantee the utilities full recovery of its allowed earnings, and by doing so, shift all the risks to the ratepayers.

6.1. DBEDT defers to the Commission on the determination of the just and reasonable amount of lost earnings to be recovered through the decoupling mechanism, taking into consideration DBEDT's response to Question 6 above.

6.2. DBEDT does not understand what is meant by "partial adjustment" referred to in this question. Please note that a decoupling mechanism is only one of the incentive mechanisms included in the Energy Agreement aimed at removing the barriers for the utilities to pursue and promote aggressive demand-response programs, customer-owned or third-party-owned renewable energy systems and resources. Other such incentives, which are of course

subject to Commission approval, include allowing the utility timely recovery of renewable energy related expenditures through the clean energy infrastructure surcharge (CESP), continuing automatic fuel cost recovery through ECAC, committing in principle to ratebase 10% of power purchased through the feed-in tariffs, automatic recovery of the capital components of purchase power cost through a surcharge similar to ECAC, and the State's commitment to facilitate permitting of renewable energy projects.

7. How much, if any, of a rate of return adjustment is commensurate with the greater certainty in earnings provided by decoupling?

7.1. To the extent that decoupling results in less financial risk for the utility, how should the commission quantify that effect and how should this be flowed through to the utility's return?

7.2. Please quantify decoupling's effect on the utilities' "beta" (a measurement of risk) and what that means to the utility's return and ability to move to a capital structure with more debt.

7.3. Can input from the rating agencies be included during development of the decoupling process?

DBEDT Response:

7. DBEDT does not have a position on this question at this time.

7.1. Decoupling will certainly result in less financial risk to the utility, and the Commission can quantify that effect through the difference between the actual rate of return or earnings achieved by the utility with the decoupling mechanism rate adjustment, and what the utility earnings would have been without the decoupling mechanism rate adjustment. DBEDT does not have a position at this time on how this should be flowed through to the determination of the utility's return and capital structure to include more debt.

7.2. DBEDT is unable to quantify the effect of decoupling on the utility's beta at this time.

7.3. DBEDT does not have a position on whether or not to include input from the rating agencies in the development of the decoupling mechanism. DBEDT would however like to note that the Energy Agreement and the nationwide interest generated by the Hawaii Clean Energy Initiative can have a favorable impact on the utility's ratings.

8. Some customers may not have the same opportunity to conserve electricity as other customers because differences such as income, access to capital, age, and renting versus owning. How should decoupling adjustments be structured to address this lesser ability to conserve?

DBEDT Response:

8. The Energy Agreement includes a commitment by the parties to explore the possibility of establishing lifeline rates. If lifeline rates are approved and adopted by the Commission, the decoupling mechanism may be structured such that it will not apply to consumers under the lifeline rates, or only a portion of the decoupling mechanism rate adjustment will apply to this ratepayer class. Another option is to design energy efficiency programs for this customer segment (i.e., low income customers).

9. Please propose a customer education program for the decoupling mechanism proposed at question 2 and the allocation methodology proposed at 5.2.

DBEDT Response:

9. DBEDT does not have a proposed customer education program at this time.

10. To the extent that the decoupling mechanism is intended to help reduce energy consumption, can this adversely affect the state's efforts to incorporate more as-available renewable energy into the grid? Can reduced consumption cause more instances where as-available energy must be curtailed due to the utility's system constraints?

DBEDT Response:

10. The decoupling mechanism is intended to remove the barriers for the utility to aggressively pursue and promote programs such as demand-response and energy efficiency programs that help reduce energy consumption. To date, the utilities are

dependent on imported fossil fuel for over 90 percent of electricity sold. For the decoupling mechanism to reduce energy consumption to such levels as to adversely affect the state's effort to incorporate more renewable energy into the grid is still a remote possibility at this time.

11. Do the rate changes associated with the decoupling mechanism merit a new rate case for HECO pursuant to Hawaii Revised Statutes, Chapter 269, or can the changes be accomplished within the scope of the existing HECO rate case? Are public hearings needed, considering the extent of the expected rate changes?

DBEDT Response:

11. DBEDT is not clear what "rate changes associated with the decoupling mechanism" are referred to in this question.

12. Various provisions of the HCEI propose utility surcharges, where the utility will fairly immediately recover costs (potentially both fixed and variable) through a surcharge that is separate from the normal rates. How can the commission effectively decouple this aspect of the utility rates? Do these surcharges impact the effectiveness of the efforts to decouple rates from earnings?

12.1. Please provide details of changes that need to be made to the various HCEI proposals that have already been filed as a result of decoupling.

DBEDT Response:

12. Some surcharges, such as the ECAC, should be excluded from the decoupling mechanism. The surcharges that allow the utility a timely recovery of utility expenditures related to renewable energy resources and systems should be

excluded from the decoupling mechanism until they are embedded in the base rates in the utility's rate filing.

12.1. DBEDT does not have information on the "HCEI proposals that have been filed as a result of decoupling".

In summary, DBEDT believes that the issues identified in the Commission's scoping paper should be carefully examined and addressed in the design of revenue decoupling. DBEDT however also believes that aiming for the "perfect" revenue decoupling design may be impossible to accomplish the first time around. Instead, the instant docket should aim at adopting the best designed revenue decoupling given the current information available, and allow for periodic evaluation and review by the Commission and the relevant parties as Hawaii gains experience in revenue decoupling and its incidental impact on utility earnings and customers under the initial decoupling tariffs resulting from this proceeding.

DATED: Honolulu, Hawaii, February 20, 2009.

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Certificate of Service

I hereby certify that I have served a copy of the Responses To The Questions In Appendix 2 To The National Regulatory Research Institute's Scoping Paper Entitled "Decoupling" Utility Profits From Sales: Design Issues And Options For The Hawaii Public Utilities Commission, by the Department of Business, Economic Development, and Tourism in Commission Docket Number 2008-0274, by electronic transmission on the date of signature to each of the parties listed below.

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